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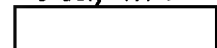
UNITED STATES  
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# **National Intelligence Bulletin**

State Department review completed

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3 July 1974



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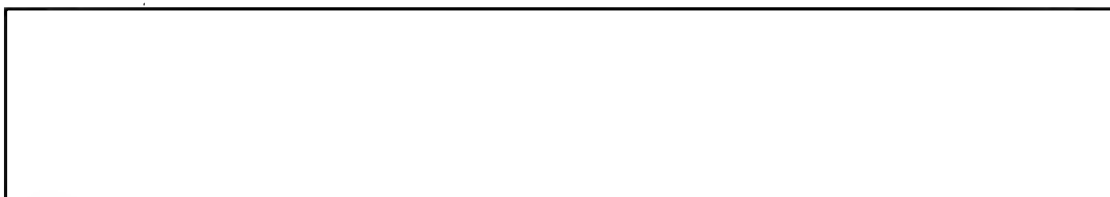
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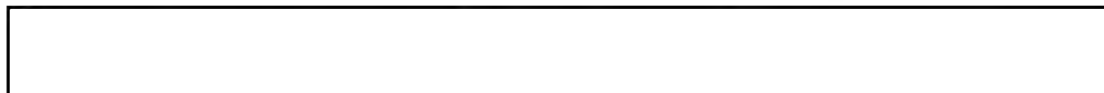


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GOLD: Price drops to lowest level in five months.  
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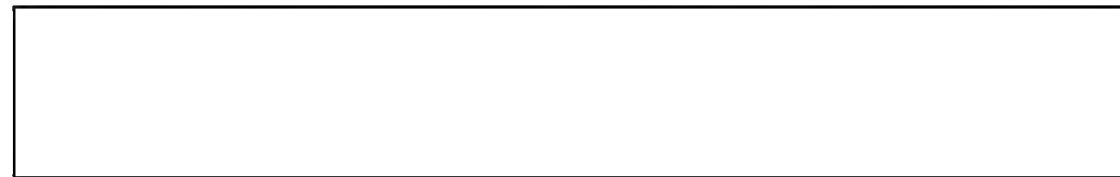
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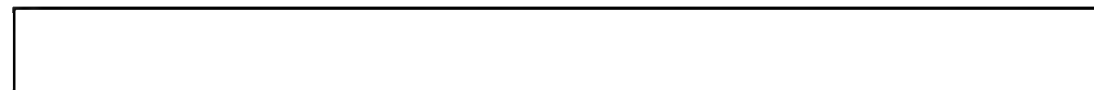
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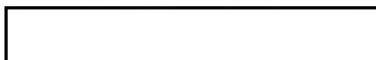
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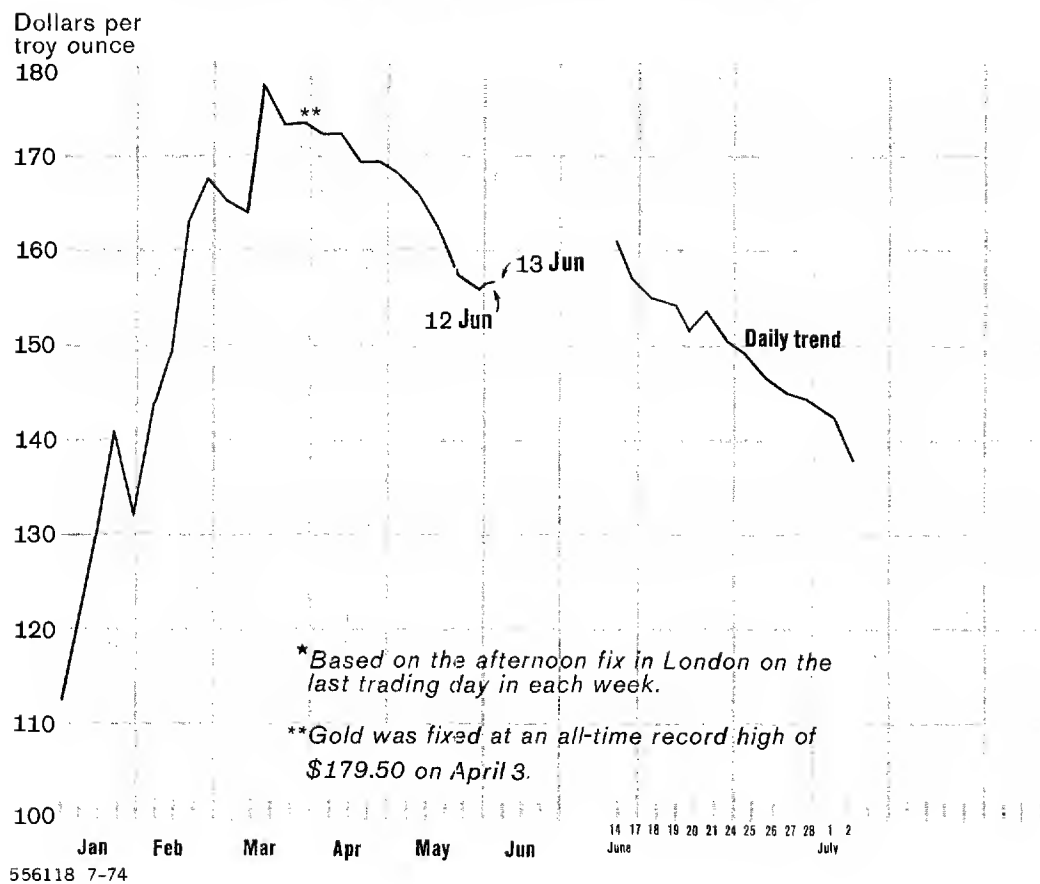
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### London Free Market Gold Price\* 1974



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### GOLD

The price of gold reached its lowest level in five months, dropping from \$143 an ounce on Monday to \$137 yesterday. Bullion dealers blamed the decline on reduced demand.

Soaring interest rates make holding gold very expensive; interest rates for short-term Eurocurrencies exceeded 16 percent last month. Speculators who borrowed money to buy gold at previously attractive prices are now selling the metal to avoid losses.

The present downward trend began about two weeks ago. Gold dealers who expected the price to stabilize at \$140 an ounce now appear resigned to prices of \$130 or less, barring some occurrence outside the market. South Africa has kept its weekly gold sales at an even level this year, but it could decide to reduce sales in order to maintain a minimum price, despite rising foreign exchange needs.

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### EC-US

The EC is concerned that the growing demand for US uranium enrichment services--a result of increased worldwide nuclear power requirements--may lead to discrimination against the Community if allocation of the services becomes necessary. Commission Vice President Soames is particularly worried about the political significance of the US decision to meet the needs of Egypt and Israel, despite the fact that there are outstanding requests from "long-standing satisfactory customers" in the EC.

Some Community officials concede that EC customers are responsible in large part for the present situation, since they were tardy in submitting contract requests for US services on reactors going into operation in the 1978-82 period. The officials, nevertheless, have implied that the US signed the recent provisional contracts with Egypt and Israel at a time when the US was saying it could not sign contracts with its EC customers.

The Commission, which has a statutory middle-man role in contracting for enrichment services for EC members, is clearly worried about meeting the Community's future energy needs and also presumably fears a new debate over the reliability of the US as a supplier.

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### ISRAEL

The Israeli government yesterday announced new economic measures intended to slow the country's high and persistent inflation and to redress its large trade imbalance. The new measures aim to offset some of the adverse impact on the economy of the 20-percent cost-of-living allowance recently negotiated between the government and labor.

The major features include:

- hiking the import surcharge from 25 to 35 percent;
- increasing the compulsory war tax and interest on development loans;
- imposing a one-time, 5-percent tax on real property and private automobiles; and
- raising export incentives.

These tax measures will boost government revenues by about \$500 million. The increased funds, along with another \$500 million obtained by slashing some nonessential budget allocations, will be used for military spending and other priority needs.

Since the first of the year, the consumer price index has increased nearly 25 percent, and Israeli officials now forecast a trade deficit, including defense imports, of over \$3 billion.

The program will fall more heavily on higher income groups. The Rabin government has opted for this course to avoid the political risk associated with a direct confrontation with labor.

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ALGERIA-USSR

Moscow has resumed deliveries of fighter aircraft to Algeria after a hiatus of almost three years.

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The reinstatement of arms deliveries probably reflects a Soviet effort to improve its position among Arab states. Military cooperation was discussed during Soviet Defense Minister Grechko's visit to Algiers in late May, but no new military aid agreement was announced, and there is little evidence so far that Soviet-Algerian relations have warmed significantly as a result of the visit.

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### ICELAND

The US embassy in Reykjavik estimates that it may take from four to six weeks to form a new coalition government because of differences that must be reconciled.

The most likely coalition seems to be one that would include the Independence and Progressive parties, although the Social Democrats also could participate. Progressive Party spokesmen have said that the party intends to demand concessions on both economic and defense issues as the price for cooperating with the Independents. The Progressives, as head of the outgoing coalition, would like to stay in power.

Prime Minister Johannesson submitted his resignation yesterday and was immediately asked to form a caretaker government. He has called a special session of parliament for July 18, probably to deal with the country's mounting economic problems.

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FOR THE RECORD

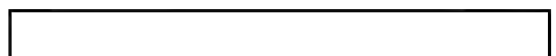
Korea: South Korea claims to have intercepted and sunk a North Korean agent boat off its southeast coast last night. One South Korean seaman reportedly was killed and three others were wounded. This is the second incident of this nature in 1974. The first occurred in late May, when four South Koreans were killed and three injured as North Korean agents attempted to land on an island off the southwest coast.

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